



# City of Seattle

Gregory J. Nickels, Mayor

## Seattle Transportation

Grace Crunican, Director

June 27, 2003

**By Messenger and By U.S. Mail**

Mr. Bobby J. Talley

President

Olympic Pipeline Company

2201 Lind Avenue Southwest

Renton, WA 98055

Re: *Suspension of Seattle Lateral Line Operations*

Dear Mr. Talley:

Under the terms of Ordinance 116331, Olympic Pipeline Company's permission to operate the Seattle Lateral Line expired on December 31, 2000. Accordingly, pursuant to Seattle Municipal Code ("S.M.C.") 15.32.010, the City hereby exercises its police and regulatory powers and orders Olympic to cease all operation of the Seattle Lateral Line under the earliest possible timeline, but in no event later than sixty (60) days from the date of this letter. Such operations shall be suspended until a new franchise agreement is agreed upon by the City.

Failure to comply with this order shall subject Olympic and any person who disobeys such order to criminal sanctions under S.M.C. 15.50.040. Should you have any questions regarding this matter, please contact Engel Lee, Seattle City Attorney's office, at 206-233-2157.

Very truly yours,

Grace Crunican

Director

Seattle Department of Transportation

cc: Mayor Greg Nickels  
Michael Mann, Regina LaBelle: Office of the Mayor  
Art Harrigan, Danielson Harrigan Leyh & Tollefson  
Larry Peck, CEO, Olympic Pipeline  
BP Pipelines North America, Inc.  
Shell Pipeline Company LP  
Will Patton, Engel Lee: Office of Seattle City Attorneys  
Richard Richmire, SDOT



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**City of Seattle**  
Gregory J. Nickels  
*Mayor*

June 27, 2003

Mr. Bobby Talley  
President  
Olympic Pipe Line Company  
2201 Lind Avenue SW  
Suite 270  
Renton WA 98055

Dear Mr. Talley:

Thank you for replying to my June 3<sup>rd</sup> letter requesting responses to the minimum requirements that the City of Seattle has outlined for beginning a franchise negotiation with Olympic Pipe Line Company (OPL). Unfortunately, I do not consider OPL's response acceptable to the public safety needs of Seattle residents.

The general public, especially those who reside near the pipeline, must have confidence that the pipeline is safe and that the operator can and will meet all safety and operating obligations. As discussed below, it does not appear that OPL can meet that standard.

OPL does not currently hold an operating franchise agreement with the City of Seattle to conduct business within the rights of way of the City. The company is currently in Chapter 11 bankruptcy and is, therefore, not a solvent enterprise. The company's ability to meet safety and operating obligations is in question. Due to this situation, the City has requested a corporate guarantee from OPL's two parent companies, BP Pipelines North America, Inc. and Shell Pipeline Company LP, as a pre-requisite for entering into negotiations for a new franchise agreement. The company's response (June 16), however, clearly indicates that neither of the two parent companies will stand behind the operations of Olympic Pipeline, while at the same time urging the City to accept their statements that the operation of the pipeline is safe. Without this commitment, I do not believe that any safety measures negotiated between OPL and the City of Seattle will be enforceable. Consequently, the City of Seattle will not be entering into a new franchise agreement with OPL until a solvent OPL or its successor company emerges from bankruptcy.

Additionally, I am concerned about the pipeline's current condition. Previous to OPL's bankruptcy declaration, the City hired consultants to help us prepare for negotiations, and as part of their work, they reviewed recent testing on the pipeline. An internal inspection tool, run last year, identified 131 seam weld anomalies on the Seattle Lateral. Fourteen of these anomalies correspond to anomalies identified with other internal inspection tools. OPL's plans, outlined in your letter, call for inspecting less than 30% of these potential pipeline integrity problems by the end of the year. This does not provide me with the level of assurance that I need in order to allow for continued operations.

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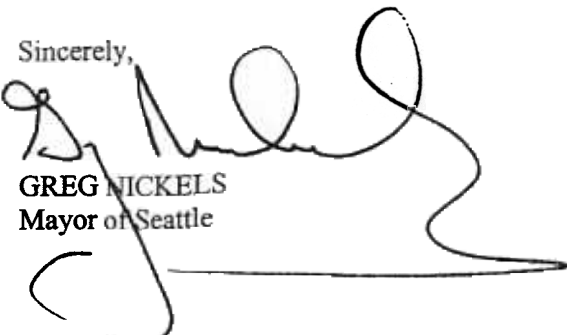


Your pipeline runs through densely populated Seattle neighborhoods, within 150 feet of two elementary schools, and runs below the New Holly Neighborhood. It is the duty of the City, on behalf of the general public and especially for those who reside near the pipeline, to have confidence that the pipeline is safe and that the operator will meet all safety and operating obligations. Since we don't have proof that these anomalies have not affected the line, we cannot assume the pipeline is safe. I must consider the safety of Seattle residents as my primary concern.

As has been discussed between the City and OPL officials, if OPL can prove that the pipeline can be operated safely, especially during your bankruptcy, the City will allow OPL to continue to use the City's rights of way. The best way to meet that goal is to perform two inspection digs along the pipeline and to perform a hydrostatic test within the next sixty days. A hydrostatic test is a common sense test which, if successful, will give the City confidence that the pipeline can operate safely over the bankruptcy reorganization period and into the future. The two inspection digs, where there has been evidence of dents with metal loss on the pipeline, will help determine the risk level of the other anomalies found on the line. If OPL wants to continue to operate this pipeline until the company emerges from bankruptcy, the inspection digs and the water-based pressure test will be required before school returns to session.

Until this proof can be provided, I am ordering the temporary suspension of Olympic's operation of the Seattle Lateral line until the company, or a successor company, emerges from bankruptcy proceedings and a franchise agreement is in place. I understand that our region is dependent on the petroleum products that are distributed from the tank farm located at Harbor Island. Therefore, I wanted to give you and your customers enough notice that you could find alternate routes. Please find enclosed with this correspondence a 60-day suspension of operations notice beginning August 26th. If OPL plans to complete a hydrostatic test and two inspections digs and the results of those tests can assure the City that the pipeline can operate safely, I will rescind the suspension notice. Please notify my office of your intentions regarding hydrostatic testing and accelerating the inspections by July 11.

Sincerely,



GREG NICKELS  
Mayor of Seattle

cc: Art Harrigan, Danielson Harrigan Leyh & Tollefson  
Larry Peck, CEO, Olympic Pipeline  
BP Pipelines North America, Inc.  
Shell Pipeline Company LP